September 2026

Basis for Conclusions:

APES 206 Conformity with Sustainability Reporting Standards

Prepared by the Technical Staff of the Accounting Professional & Ethical Standards Board

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This basis for conclusions has been prepared by the Technical Staff of Accounting Professional & Ethical Standards Board Limited ("APESB") and approved by the Board of Directors of APESB. It is provided for the benefit of stakeholders to gain an understanding of the background to the new *APES 206 Conformity with Sustainability Reporting Standards* (APES 206).

The basis for conclusions **does not** form part of APES 206 and is not a substitute for reading the Standard.

Background

APES 206 is a new Standard addressing a Member's professional and ethical obligations in respect of Conformity with Sustainability Reporting Standards. APES 206 specifies a Member's professional and ethical obligations when the Member prepares, presents or compiles Sustainability Information, or performs a Sustainability Assurance Engagement, for an entity.

Australia has introduced a mandatory climate-related financial disclosure and sustainability reporting and assurance regime. The Australian Sustainability Reporting Standards (ASRS) issued by the Australian Accounting Standards Board (AASB) became effective for Group 1 entities from 1 January 2025 and are being phased in for other entities over subsequent periods. In July 2025, APESB released the sustainability-related Amending Standard to *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), which set out new ethical and independence requirements for sustainability reporting and assurance in Australia.

APES 205 Conformity with Accounting Standards (APES 205) specifies a Member's professional and ethical obligations when they prepare, present, audit, review or compile financial statements. APES 205 does not address sustainability information, including information required by the ASRS. APESB identified that there was no APESB standard specifying a Member's ethical obligations in respect of Sustainability Information and concluded that a new professional and ethical standard was required.

To address this gap, APESB issued Exposure Draft 01/26 *Proposed Standard: APES 206 Conformity with Sustainability Reporting Standards* (ED 01/26) on 2 April 2026 with a comment deadline of 29 May 2026. APESB received five submissions. All respondents supported the introduction of APES 206, and no respondent opposed it. In response to the comments received, APESB has made the following change from the proposals in ED 01/26 in finalising APES 206.

Change to ED 01/26

The only change made in finalising APES 206 was to amend paragraph 3.1 to clarify that Part 1 and Part 5 of the Code apply on a mutually exclusive basis, and to limit the reference to Part 5 to Sections 5100 to 5120 of that Part.

The following sections of this basis for conclusions set out details of the change made, and the key issues raised by respondents during the development of APES 206, and how APESB addressed them.

Overall support for the Standard

All respondents supported the introduction of APES 206 and its broad alignment with APES 205. One respondent noted that their support was based on practical expediency so that clear requirements can be issued for application. Other respondents supported introducing a Standard to address the absence of any reference to sustainability information in APES 205. Most respondents also supported the standard being issued as a distinct standard. However, all respondents who commented on this matter encouraged the APESB to consider a longer-term project to simplify the suite of conformity standards (discussed further below).

APESB acknowledged this support and did not consider that any change to the overall approach of the Standard was required.

Application of Part 1 and Part 5 of the Code – paragraph 3.1

One respondent noted that Part 5 is intended to be standalone, such that a Member would apply Part 1 when preparing, presenting or compiling Sustainability Information, or Part 5 when performing a Sustainability Assurance Engagement, but not both. The respondent also noted that the equivalent of Part 1 is contained in Sections 5100 to 5120 of Part 5 and suggested that paragraph 3.1 refer to those Sections rather than to the whole of Part 5.

APESB agreed that Part 1 and Part 5 of the Code apply on a mutually exclusive basis, depending on whether the Member is preparing, presenting or compiling Sustainability Information or performing a Sustainability Assurance Engagement. Accordingly, APESB has amended paragraph 3.1 to clarify the mutually exclusive application of Part 1 and Part 5, and to limit the reference to Sections 5100 to 5120 of Part 5 of the Code.

Independence requirements for Sustainability Assurance Engagements

One respondent noted that the Standard does not specifically address independence for Sustainability Assurance Engagements. Furthermore, paragraph 3.2 of APES 210 refers only to Parts 4A and 4B of the Code. The respondent recommended either including a paragraph on independence in APES 206 or updating APES 210 to cover the Independence Standards in Part 5 of the Code.

APESB agreed that independence in relation to Sustainability Assurance Engagements should be addressed as part of the suite of conformity standards. However, consistent with APES 205, the scope of APES 206 does not extend to independence requirements. Accordingly, APESB has not amended APES 206 in response to this comment and considered that the matter is more appropriately addressed through amendments to APES 210, which APESB will expedite as a separate narrow scope amendment.

External evidence systems – Section 6

One respondent recommended strengthening Section 6 to address external evidence systems, such as carbon units, biodiversity instruments, renewable certificates, supply-chain attestations, registry entries, third-party methodologies, and verification reports. The respondent proposed a series of specific requirements and an illustrative additional paragraph, addressing matters including traceability and exclusivity, the timing of outcomes, verification quality, claims language, evidence retention, and consistency across APESB pronouncements.

APESB considered these recommendations constructive but not appropriate for a professional and ethical standard on compliance with reporting standards. Paragraph 6.3 already requires a Member to identify the purpose for which the Sustainability Information has been prepared, together with any significant judgements, assumptions and methodologies adopted. The detailed evaluation of external evidence, including the reliability, traceability and exclusivity of external sources, the timing of outcomes, and the competence, independence, scope and timing of external verification, is a matter for Members and Sustainability Assurance

Practitioners to consider, and is addressed by the applicable reporting framework (including the ASRS) and the relevant Auditing and Assurance Standards. Documentation and evidence-retention requirements are likewise addressed by the relevant Auditing and Assurance Standards and firms' quality management obligations.

The scope of APES 206 does not extend to such requirements, and accordingly APESB has not amended Section 6 in response to these recommendations. APESB also noted that it routinely considers consistency across its pronouncements when developing and revising Standards and Guidance Notes.

Longer-term structural approach to the conformity standards

In ED 01/26, APESB included a Request for Specific Comment seeking stakeholders' views on whether APES 205, APES 210 and proposed APES 206 should be consolidated or continue as distinct standards. Respondents provided mixed views, including that:

- some respondents supported retaining separate conformity standards, on the basis that they cover different areas and apply to different audiences, but encouraged APESB to consider opportunities to simplify the suite of standards over the longer term;
- one respondent expressed limited support, considering that only one conformity standard is required and that the conformity standards may be redundant given the requirements already in the Code; and
- one respondent encouraged APESB to consider, in due course, whether APES 205 and APES 206 could be consolidated once Members are familiar with the new sustainability reporting framework.

APESB noted the comment that the conformity standards may be redundant because the Code already contains relevant requirements. However, APESB considered that APES 110 does not duplicate the conformity standards, which specify Members' professional obligations to comply with applicable reporting and assurance standards. APESB also noted that the conformity standards address jurisdiction-specific matters, including Members' professional and ethical obligations when providing assurance in an honorary capacity and the actions Members should take when circumstances prevent compliance with applicable reporting or assurance standards.

APESB proposed to consider the structural approach to the suite of conformity standards as a separate, longer-term project, as part of a future post-implementation review of APES 206 proposed to commence in the first half of 2029. Accordingly, APESB has not amended ED 01/26 in this regard.

Operative date

APES 206 is operative for Professional Activities performed on or after 1 January 2027. Early adoption of the Standard is permitted.